

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
June 25, 2014

Chairman Kate Marshall, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:02 a.m., on Wednesday, June 25, 2014. The meeting was held by conference call from the Nevada State Capitol, 101 North Carson Street, Old Supreme Court Building, Carson City, Nevada to the Grant Sawyer Building, 555 East Washington Avenue, Suite 5300, Las Vegas, Nevada. Other attendees participated in person or by conference call.

Present at the meeting were:

Board Members

Ned Martin
Stephanie Day
Robert Seale
Crystal Abba, Nevada System of Higher Education (via teleconference)
Chairman Kate Marshall

Others Present

Tricia Brady, Upromise Investments
Lisa Connor, Upromise Investments
Stewart Duffield, Vanguard
Sheila Salehian, Senior Deputy Treasurer - South
Mark Mathers, Chief Deputy Treasurer
Steve George, Chief of Staff, Treasurer's Office
Linda English, GGMS, College Savings Deputy Treasurer
Troy Watts, Marketing Coordinator, Treasurer's Office
Alex Smith, Program Officer, Treasurer's Office
Dennis Belcourt, Deputy Attorney General
Tara Hagan, Senior Deputy Treasurer – North
Judy Minsk, Putnam Investments
Scott Sipple, Putnam Investments
Mitch Fielding, Putnam Investments
Kevin Ferrell, SSgA
Steve Coyle, SSgA
Ally Dudley, SSgA

Joanna Damp, SSgA

Roll was taken and it was determined a quorum was present. Ms. Salehian indicated the meeting had been properly noticed and the agenda was posted in accordance with the Open Meeting Law.

1. Public Comment.

There was no public comment in Carson City or Las Vegas.

Chairman Marshall introduced a new board member, Stephanie Day.

Consent Agenda

2. For possible action – Board review and approval of the minutes of the College Savings Board of Trustees meeting of February 27, 2014.
3. For possible action: Board review and approval of the Upromise program manager's report encompassing results for Vanguard, USAA, and SSgA Upromise 529 plans for the quarter ended March 31, 2014.
4. For possible action: Board review and approval of the SSgA marketing expenditures for the SSgA Upromise 529 Plan for the quarter ending March 31, 2014, and approve the expenditures for inclusion in the non-cash marketing commitment budget as specified in Amendment #3 to the Upromise Agreement.
5. For possible action: Board review and approval of the Putnam 529 for America advisor sold program manager's report for the quarter ended March 31, 2014.
6. For possible action: Board review and approval of the Thomas & Thomas unaudited financial statements of the Nevada College Savings Plans compiled for the quarter ended March 31, 2014.
7. For possible action: Board review and approval of the performance report from Chicago Equity Partners, investment manager for the fixed income portfolio of the Nevada Higher Education Trust Fund (Prepaid Tuition Program), for the quarter ended March 31, 2014.
8. For possible action: Board review and approval of the Prepaid Tuition Investment Monitoring Report prepared by Callan Associates for the quarter ended March 31, 2014.

9. For possible action: Board review and approval of the Nevada College Savings Plans Investment Monitoring Report prepared by Pension Consulting Alliance, Inc. for the quarter ended March 31, 2014.

Chairman Marshall asked if any Board members wished to remove any items from the Consent Agenda, items 2 - 9 for individual discussion. Mr. Bob Seale asked to take item 6 out of the consent agenda. Mr. Ned Martin asked to take item 7 out of the consent agenda. A motion was made by Mr. Bob Seale to approve items 2, 3, 4, 5, 8, and 9 on the Consent Agenda. A second was made by Mr. Ned Martin. No discussion ensued. The motion passed unanimously.

For agenda item 6, Mr. Bob Seale asked who prepares the unaudited financials report. Ms. Patti Weed with Thomas and Thomas (on the phone) answered that they prepare the report, and indicated that it is a quarterly compilation of the financial statements, and that they coordinate with the program managers and the investment managers to develop a compiled financial statement for each plan. Mr. Seale asked why they did a compiled return and not a reviewed statement. Ms. Weed said that about 6 years ago the legislative auditors requested that the financial statements of the college savings plans be recorded with the state's overall general ledger system, and that they felt a compilation would be sufficient. Mr. Seale asked who does the annual audit. Ms. Weed indicated that USAA is audited by Ernst & Young, Vanguard by Price Waterhouse Coopers (PWC), Putnam by PWC, and SSgA is audited by Thomas and Thomas.

Mr. Seale made a motion to approve. Mr. Martin made a second. The motion passed unanimously.

For item 7, Mr. Martin asked if Chicago Equity Partners could address underperformance on the fixed income side of things, as well as the strategy they have implemented and why they have implemented that strategy.

Mr. Mark Mathers indicated that staff had the same concerns. He indicated the reason being that Chicago Equity has a tilt towards higher quality. Linda Ruegsegger, director with Chicago Equity Partners did have a call with staff and detailed their positioning. Ms. Ruegsegger said they are underweight on corporate bonds, over weighted on treasuries and agencies, which are AAA higher quality, and a little bit lower coupon, and as a result of spreads tightening over the last 5 quarters have caused the underperformance over the last 5 quarters. This is detailed in the presentation. Ms. Ruegsegger has indicated that the Fed is now tightening, and that bonds are priced to perfection, which is a recipe for disappointment and risk. Mr. Martin asked if there are any plans to change this strategy. Mr. Mathers said that because Chicago Equity is not being compensated for taking on risk, and when things are verse, one good quarter could offset the last 5 quarters. He also said that with spreads so tight, they don't see value in taking on more risk, and that staff is supportive of that.

Mr. Martin made a motion to approve. Mr. Seale made a second. The motion passed unanimously.

Discussion Agenda

10. For possible action: Board review and approval of proposed changes to the Putnam 529 for America Plan.

- A. Annual Investment Review
- B. Putnam Offering Statement
- C. Contract Amendment

Judy Minsk, senior manager of investments, gave an introduction regarding the Annual Investment Review. She introduced Scott Sipple, head of Global Investment Strategies, Bob Key, co-head of global asset allocation, Mitch Fielding, an investment director with U.S. equities, and Anne Duffy, senior counsel. Mr. Sipple started off by saying they had a good year of performance in absolute and relative terms. Despite what has been happening in the world in general, the thing that has been consistently out there is valuation, and to get past the emotional side of things. He said one of the best kept secrets have been record corporate profits because of quantitative easing. He said they have had a tilt toward the riskier assets going forward, and that has been the safer place to be. All of the funds have outperformed year to date, and have outperformed over one year, and at three years. They have a little bit more risk or equity at the beginning of their glidepath than their competitors, and a little bit less risk or equity exposure at the end.

Mr. Seale asked about volatility of things happening, and about the news today that GDP was less than the current quarter than anticipated. He asked if that changes what was said and presented today. Mr. Sipple said that it does not, and that growth has still been remarkably consistent. He said as long as we don't double over in to another recession, a strategy that maintains a stimulus is viewed as positive.

Mr. Martin asked Putnam to address the things of higher risks to the current portfolios and strategies in equity market. He asked what the biggest risk out there to a downside. Mr. Sipple said longer term inflation is heating up. The answer has to come from monetary policy.

Ms. Minsk pointed out that the Putnam plan, as of March 31, 2014, was ranked #3 out of 28 advisor sold plans, according to collegesavings.com. This was based on 3 year performance. For one year, they are #4 out of 32 for advisor sold plans.

Ms. Minsk said they were asked to find a fund replacement for the Fidelity advisor small cap fund. They have identified the Putnam small cap value fund. Mr. Mitch Fielding said this focuses on risk management and compounding returns. He said they seek to outperform consistently. They do this by focusing on investment philosophy, diversification of portfolio, and portfolio risk control techniques. They focus really on three things; cheapness, change and quality. They take smaller positions, but also look for a broad portfolio. They want to have an inexpensive priced security, issued by a quality company that has a catalyst for change. As far as personnel, they have a senior investment team at Putnam, and senior analysts. They've outperformed 71% of the quarters that Eric Harthun has managed the fund.

Mr. Martin asked if staff reviewed the options. Mr. Mathers independently screened small cap funds with PCA and Putnam. He indicated they conducted independent analysis and narrowed their choice down to the Putnam small cap value fund. PCA was supportive of the decision. Mr. Martin asked if there was any significant difference in the expense structure of the fund. Mr. Mathers indicated there was not.

Ms. Minsk made a recommendation to simplify the aged based option lineup in the plan. She proposed a single aged based option by adjusting the moderate glide path and eliminating the conservative and aggressive aged based option. They will transfer assets and accounts and rename the moderate to be the aged-based option. The aggressive customers would move to a revised glidepath along with moderate aged based customers. And for the conservative customers, they would be moved based on the age of the beneficiary.

For this change, in the moderate glidepath, for age 12 and older, it will reduce equity exposure. For the newborn it would be 85% in equities. Ms. Minsk said they identified two risks--one risk is not saving enough. And, as far as the distribution age--putting assets in where they are unprotected by market. This addresses both risks. Right now 43% of entire plan assets are in the moderate glidepath. This change will simplify messaging. Operationally it will relieve costs, and still maintain competitiveness of the plan.

Ms. Linda English indicated that since the fall of 2012, Putnam has approached staff with the idea of consolidating the age bands to simplify the message, to reduce overall costs, and to provide participants what they are looking for, which is really the moderate glidepath. Ms. English said staff expressed concern over the mapping. The other concern was that Putnam did not have a marketing commitment to market the plan. It has been decided that they will commit \$50,000 to the marketing of the plan.

Mr. Mathers also said that the large majority of participants go into the moderate age based options anyway. Also, it is costly to quarterly balance three aged based options.

Mr. Seale asked if taking this action would reduce cost in the plan. Judy indicated that it would.

Mr. Martin asked how existing accounts would be handled. Ms. Minsk said aggressive customers will go to the newly revised glidepath. For conservative customers, newborn to 16 years old will go based on 45% in balanced and 55% in money market. Anyone 16 or older (conservative) will go 100% in money market. Crystal Abba wanted to confirm that aggressive customers will go to newly revised glidepath. Conservative customers, depending on age, will go to a combination of the money market option or when over 16 will go to the American money market option. Ms. Abba asked if for the mapping for the conservative customers, that the risk they are accepting is close to the risk they are accepting now. Judy said yes. Ms. Abba asked how customers will be notified.

Ms. Minsk said both letters to advisors and participants with a revised supplement will be sent. Letters have gone to staff for approval. Also anyone coming into the plan will be notified. There will also be notifications via the website. Emails to advisors and follow-up calls will be done too.

Ms. English confirmed that should the change in mapping occur, this would not affect their once per year investment change. On item B, up for approval is the supplement notice to perspective and to current account holders. After the changes take place in September, Putnam has offered up a restated offering statement which includes all of their previous supplements, and all of the changes in item A. Item C is the amendment to the agreement that includes all the changes that are being proposed today.

Dennis Belcourt, deputy attorney general, said it was at the board's discretion if they wanted to approve items A, B, and C separately or altogether.

Mr. Seale made a motion to approve. Mr. Martin made a second. The motion passed unanimously.

11. For possible action: Board review and approval of the SSgA UPromise 529 Marketing Plan for Fiscal Year 2015.

Ms. English indicated what is before the board is the SSgA UPromise in-state direct marketing plan for FY15. There will be a discussion of initiatives that have been done in FY14, as well as a discussion of what will continue for FY15. In FY14 there was an available budget of \$323,000 due to unused carryover from FY13. There will not be any carryover in FY15, so the budget will be just over \$200,000. In FY14 the marketing was focused on rebranding, producing new creative and updating materials with the new plan name. Also the Nevada College Kick Start Program was launched in FY14. Two enhancements were made—the terms of the silver state matching grant were

changed and the account minimum deposit was lowered. There was also the website and mobile site refresh—which was \$6,000 in FY14; a big year of change. It will only be \$1,000 for that in FY15. She said they are proposing to continue the class act award sponsorship with KRNv—student of the month. It will be a \$5,500 annual cost. Chairman Marshall pointed out that there were problems last year in making sure that our program had airtime on the news. She asked staff what they have done to change that. Ms. English indicated that the station did create and run a Public Service Announcement (PSA) which promotes the SSgA 529 plan as part of the Class Act. Our logo is also on the materials that promote the Class Act. Chairman Marshall asked about the performance metrics that are associated with each initiative discussed. Ms. English indicated that direct attribution as it relates to promotions such as the KRNv sponsorship is nearly impossible. Everything is targeted to adults ages 25 – 44 with known children, with incomes of about \$50K to \$75K. Chairman Marshall indicated that she is not satisfied with that response. For Prepaid Tuition, we are asking customers how they learned about the program and what prompted them to open an account. Chairman Marshall said that metrics are needed to take to the legislature. Ms. Tricia Brady said that for the KRNv sponsorship, for the \$529 account awardees, all of those account holders still had the accounts and were growing them. It is more of an awareness campaign. Chairman Marshall said that doesn't work and is still an unacceptable response to the question about metrics. General brand awareness backed up with marketing research that shows that what's working is acceptable. Ms. English addressed the media buys. This includes print advertising and online banner ads such as Pandora. Participation in the silver state matching grant program increased from FY13 to FY14 because of this. There is also the welcome letter and newsletter for the Nevada College Kick Start Program. As of June 20th, we have about 388 college kick start families who have opened up their own Upromise account.

Chairman Marshall asked if there is an uptick in account growth from recent promotions that have gone out, such as the magnet mailing. Ms. English said that the largest quarter of account growth recently was the quarter that the kick start program was launched.

Chairman Marshall asked in terms of the quarterly summaries, if we don't have an email address for those people, or if we get something back that shows the email is not working, how are we getting the quarterly summary to the family. Ms. English said it is a direct mail piece.

Ms. English said that R & R Partners has identified a mail house to help us clean up our mailing lists and help them be current before mailings go out. Ms. Marshall wondered if the school districts can do automated calls to parents to let them know that kick start statements have gone out.

Ms. English said that each school can do their own robo calls the night before an event.

Yvette with R & R Partners said that the previous day they received all of their approvals to send an email to the Washoe County School District list. As of today over 230 people are clicking through to get to the website to get more information. Also, Yvette indicated that the silver state matching grant direct mail piece is going out as well, using the data clean up mail service.

Ms. English said that for matching grant, apps are up 112%. Approved and funded are up 111%. We are already up 30% for this year. At this pace, we will exceed the \$50,000 commitment that Ascensus has to fund it, and internal marketing dollars will be requested beyond that to continue to cover the overage.

As for sponsorships, she said, we did a free day at the Discovery Museum here in Las Vegas and up in Reno. We had almost 2,000 attend in Las Vegas, and 250 to complete raffle slips. Just this May we had 575 attendees at a day at the museum in Reno, with 98 completing the raffle slips, and 10 did pre-filled applications.

There is \$40,000 that we have not associated a cost with, with a new treasurer coming in, there may be a new initiative that he or she may want to do.

Ms. English furthermore said that our kick start navigators are doing well as our "boots on the ground" folks at the schools, especially in Reno. We have entered into a contract with Theresa Navarro for the rest of the year to help us expand down here in Clark County. Ms. English said new account growth is up FY13 to FY14 by 106%. Fiscal year to date we have 998 new accounts. The Goal for FY15 is that 4% of families open accounts--so 2,800 accounts.

Ms. Marshall asked for a commitment that the field rep send 80% of their physical time in Clark County. Ms. Tricia Brady confirmed that would be the case. Ms. English said the goal is to go into positive net rollovers.

Ms. Stephanie Day asked if we do any marketing is targeted to grandparents. Ms. Tricia Brady indicated that a lot is done around the Ugift campaign targeted to grandparents, and that they partner with AARP. Between October and February, during the peak of the Ugifting season, grandparents are marketed to heavily during that time.

Mr. Martin asked if 80% of the \$200,000 is going to be concentrated on college kick start. Ms. Brady said that it's not necessarily spent just on kick start itself, but taking those that are participating and getting them to open an SSgA UPromise 529 account.

Mr. Martin asked if kick start is available to all families. Chairman Marshall clarified and explained that the confusion might be with 80% of the field rep's time being in Las Vegas. Chairman Marshall explained that when we message someone about kick start,

we are really messaging the whole family in those households about 529 plans, and to get them to open an account for all of their children.

Mr. Bob Seale made a motion to accept the UPromise 529 Marketing Plan for FY15. Mr. Ned Martin seconded the motion. As a point of discussion, Chairman Marshall again reiterated that metrics are needed for these marketing campaigns that have been discussed. The next legislature will be looking more keenly at the budget. The motion passed unanimously.

12. For possible action: Board review and approval of the SSgA Upromise 529 RIA Marketing Plan for Fiscal Year 2015.

Mr. Kevin Ferrell with SSgA made an introduction. He introduced Steve Coyle, head of U.S. sub advisory, and Ally Dudley, internal sales effort for the RIA team. Also Joanna Damp, heading up the marketing effort for SSgA.

Mr. Ferrell said they want to talk about the marketing initiatives that were successful over the last year, and how they plan to build upon those and tie into sales. Also they will talk about some of the sales statistics and how they plan to build upon that.

Joanna Damp said that their focus is to build upon who their current RIA database is, and to focus on lead generation. They did four direct marketing campaigns over the past fiscal year. They doubled their rates as far as who opened the ads and who engaged (clicked and downloaded what they were promoting). And a follow-up email was sent to those who initially engaged in the messaging. Our engagement rate was 4.58% on average. Open rate for emails was 27.5% on average.

Ms. Damp said what they will start showing is how this all leads to direct enrollments. So far this year, this has led to 3 advisors who opened up four specific enrollments that equated to over \$212,000 in contributions. Going into FY15, they are focusing on lead generation. They will purchase specific direct lists at publications to fine tune exactly what part of the market they are. When an advisor requests information from SSgA, there is a form they fill out that SSgA uses in doing a follow-up call to the client.

Ms. Damp then discussed digital advertising. For FY15, they worked with Upromise to develop a microsite. This took advisors from a digital campaign to landing page that keeps the conversation going about the campaign. Initial results—over 700 people have clicked on the microsite, which has led to over 80 click throughs to specific unique visits on our plan website.

Ms. Damp said that so far for FY14 this has all resulted in 967 qualified RIA leads, who have engaged in multiple touchpoints. She said they have also greatly streamlined

their enrollment page so it walks them through the enrollment process a lot easier than before.

Ms. Damp said they have invested in third party research. It found that RIAs who have a book of business of at least \$500 Million do have an interest in 529s. It concluded that advisors who have teams with a \$750 Million book of business and below are a target area for SSgA. So, the goal for FY15 is lead generation.

Chairman Marshall asked if there is an RIA target group that SSgA targets for the rest of its business. Mr. Ferrell indicated that going into FY15 have really doubled their client base, and have gone from 5 territories to 8 externally. And they have gone from 4 staff to 8 internally. This combined with cutting territories has allowed them to touch more RIA advisors.

Ms. Damp said that their average account size is \$43,000. It was \$33,000 last year, so that is already a huge increase from the previous year. They are six times the size of the average retail account. Mr. Ferrell said that contributions are up over 100% year over year, and the number of firms is up to 63.

Chairman Marshall said that it has taken a while to get things going, but that she is looking for SSgA to turn things around. Ms. Damp agreed, and said that they are excited to see the initial results that they have seen so far.

Mr. Ferrell said there is a compounding effect to these relationships, and that the assets tend to be sticky. Chairman Marshall said that FY15 will be a critical year.

Mr. Seale asked if over time there has been a loss of interest in the general public in 529s or are they globally still attractive. Ms. Damp said that based on the research they have done, there is an increasing interest in 529s.

Mr. Bob Seale made a motion to accept the SSgA Upromise 529 RIA Marketing Plan for Fiscal Year 2015. Mr. Ned Martin seconded the motion. The motion passed unanimously.

13. For possible action: Board review and approval of the final recipients for the Kenny C Guinn Memorial Millennium Scholarship award for the 2014-2015 academic year.

- a. Two finalists for the Northern Nevada award
 - b. One finalist for the Southern Nevada award

Mr. Steve George addressed the group. He said that the choices are made this year, and then the awards are given in to the recipients in FY15. At first the award was given to one person in the state, and then it expanded to one awardee in the south and one in the north. This year there were 13 applicants. One issue that the office continues to

have is that more high school seniors thinking they are applying for the millennium scholarship itself. Another issue is the diminishing number of applications. Staff was asked to look into it with the Nevada System of Higher Education, and the answer was the one strike rule. Steve said if one strike was allowed, there might be more that would apply. He said that they are talking with Senator Kieckhefer about that and about dropping the word millennium from the name to avoid confusion.

Mr. George asked the board to make a decision between the two candidates from the north. Chairman Marshall asked if the board can approve all three candidates. Mr. George said, by law, no. The board can only approve one in the north and one in the south.

Mr. George asked if anyone had any questions about the finalist from the south, Tara Myl. Chairman Marshall made a motion to approve Tara Myl as the awardee for southern Nevada. Ms. Stephanie Day seconded the motion. The motion passed unanimously.

Mr. George asked the board to choose an awardee from the two northern finalists, either Devan Gaddis or Kaitlyn Smith. Ms. Crystal Abba said that the Devan Gaddis application slightly stronger for two reasons—Devan had a higher GPA and followed the directions to write a short essay whereas Kaithlyn provided only a poem in place of the essay. Crystal Abba made a motion to approve Devan Gaddis as the awardee for northern Nevada. Ms. Stephanie Day seconded the motion. The motion passed unanimously.

Chairman Marshall indicated there were Staff Notes in the board packets. She asked if Linda had any comments. Chairman Marshall said that Upromise accounts that have opened up as a result of kick start accounts is at 388. Ms. Sheila Salehian said that prepaid enrollments are almost at 1,300. Last year they were at 1,145. Chairman Marshall made note that the terms for Mr. Martin and Mr. Seale are up, and thanked them for reapplying.

14. Public Comment.

As there was no further business, Chairman Marshall adjourned the Board meeting at 12:10 p.m.

Attest:



Sheila Salehian, Secretary to the Board